Looking Ahead ➔ What to watch for?

- **30th Nov.** -- IBGE to release GDP data for 3rd Q /2015
- **30th Nov.** -- COP-21 begins in Paris, ends on 11th December ➔ Pres. Dilma will attend opening ceremony
- **1-4 Dec.** -- Pres. Dilma canceled visit Vietnam & Japan
- **1st Dec.** -- World Anti-AIDS day
- **1st Dec.** -- Trade Balance data for November
- **6th Dec.** -- Venezuela to hold legislative elections
- **7th Dec.** -- IBGE to post IPCA data for November ➔
- **10th Dec.** -- Inauguration Pres. Mauricio Macri in Buenos Aires ➔ Pres. Dilma should attend
- **14th Dec.** -- Pres. Dilma Rousseff ➔ 68th birthday
- **15-16 Dec.** -- Last meeting of the Fed in 2015; should increase basic interest rates
- **21st Dec.** -- Mercosur Summit to meet in Asunción, Paraguay ➔ Uruguay to assume next six-month rotating presidency
- **22nd Dec.** -- Deadline for Congress to adjourn
- **25th Dec.** -- Christmas Day [national holiday]
- **30th Dec.** -- Public Account data for November
- **30th Dec.** -- FGV to post December IGP-M ➔
- **31st Dec.** -- Deadline for Congress to approve 2016 detailed budget [LOA]
- **1st Jan.** -- New Years Day – National Holiday
- **1st Jan.** -- New minimum wage of R$865,50 goes into effect
**1 - POLITICS**

1.1 – *Lava-Jato*: Senator and Banker arrested

Early Wednesday morning, 25th November, the Federal Police under a direct order from the STF (as requested by the PGR) arrested the PT floor leader in the Senate Sen. Délcidio do Amaral (PT-MS), his chief of staff, Diego Ferreira, Ceveró’s lawyer, Edson Ribeiro Filho and André Esteves CEO/owner of the bank BTG –Pactual. The Senator, his chief of staff and Edson Ribeiro were arrested in Brasília and André Esteves was arrested in Rio. The Federal Police had “search-and-seize” warrants for Sen. Delcídio’s Senate office, his apart-hotel (the Golden Tulip) and his home in Campo Grande, MS. At the Senator’s residence in Campo Grande, the Federal Police had to call a lock-smith to open his safe.

![Sen. Delcidio do Amaral (PT-MS)](image1)

This was the first time in the history of the Senate that a Senator in full exercise of his/her mandate was placed under arrest. The accusations against Senator Delcidio are VERY serious – obstruction of justice and witness tampering. In most countries this will get you arrested straight away. The STF acted very quickly in lieu of the serious accusations. On Sunday, 22nd November, the PRG filed the request for the Senator’s arrest at the STF – destined to Judge Teori Zavascki, the reporter on the *Lava Jato* case. On Tuesday, 24th November, Zavascki ordered the arrests early the next morning, **BUT** he consulted his colleagues in the 5-judge sub-group that deals with the *Lava Jato* investigation. The support was unanimous.

![André Esteves BTG-Pactual](image2)
Two firsts in this case ➔ The first senator arrested since the 1988 Constitution (Deputy Donadon was sent to jail by the STF before he was expelled from the Chamber last year). The first banker arrested for corruption. Lots of CEOs and CFOs of the large construction companies involved in the Petrobras “cartel” have been arrested by the Lava-Jato investigation and most are still in prison in Curitiba. Whether other bankers will be arrested is not known.

Photo: Wilson Dias/Agência Brasil

Background ➔ How and why did this case evolve as it did? There were some press allegations that Ceveró’s lawyers were negotiating his plea bargaining testimony with the Federal Police and Prosecutors. Thus, Delcídio and Esteves attempted to convince Ceveró not to complete this testimony in return for large $$ compensation payments and that Delcídio could achieve a habeas corpus at the STF to guarantee his release. Then, he would be transferred to Paraguay where an extended range private jet would fly him to Spain (where he holds citizenship) ➔ an operation similar to flight of Henrique Pizzolato (convicted in the mensalão case) to Italy. Some how, Esteves received a copy of the first draft of Ceveró’s testimony – probably via Ceveró’s lawyer, Edson Ribeiro.

At this point, Ceveró’s son, Bernardo, became suspicious that his dad’s lawyer was playing a “double game” (to receive payments from both sides) and arranged a meeting with Delcídio, his chief of Staff Diogo Ferreira and Edson Ribeiro on 4th November. Bernardo is an actor in Rio and was able to conceal a cell phone in his pants pocket to record their conversation. With the assistance of another of his father’s lawyers, Alessi Brandão, the recording of this “encounter” was delivered to the Lava Jato prosecutors and then to the PGR on 18th November. On 19th November, federal prosecutors flew to Rio and to Curitiba to interview Bernardo and his father who confirmed everything. The PGR then prepared and delivered the brief to the STF requesting the preventative arrest of Sen. Delcídio do Amaral and the others involved in this scheme. STF Judge Teori Zavascki ordered their arrest on 24th November ➔ and emphasized the flagrante character (a continued ongoing crime) of the attempts of obstruction of justice and witness tampering. Why emphasize the flagrante? Because the 1988 Constitution states that a Senator or Deputy can only be arrested in the case of a flagrante crime [caught in the act of committing said crime.

See ➔ http://oglobo.globo.com/brasil/filho-de-cervero-gravou-com-celular-conversa-fatal-com-delcidio-18138128

This became a major test of Montesquieu’s three-power checks and balances arrangement in Brazil. Whether the Supreme Court could order the arrest of a Senator was hotly debated on the Senate floor on the evening of 25th November. The 1988 Constitution states that such an arrest must be “confirmed” (or rejected) by the full Senate but does not specify whether by a secret or open vote. However, the Senate internal rules specify that such a vote must be secret. This latter position was
defended by Senate President Renan Calheiros (PMDB-AL) – in his long series of acts/decisions to “please Pres. Dilma”. Renan himself has a Lava Jato accusation pending at the STF. **BUT** a vote of the senators present over ruled Calheiros by a 52 to 20 vote. As expected, the PT proposed a “secret” vote, the PDT and PMDB released their senators to vote their conscience and the PSDB, PSB, DEM, PSD, PRB, PSC, PPS and Rede closed the question in favor of an open vote. Before the Senate voting, STF judge Luís Edson Fachin approved two injunctions (filed by the Rede and DEM) in favor of an open vote by the Senate.

These nine PT senators were not “swayed” by a statement by PT national president Rui Falcão who said – “The party [PT] does not feel obliged to make any gesture of solidarity **vis-à-vis** Senator Delcídio”.

**Finally,** on an open vote (59-to-13) – with one abstaining and 6 absent the Senate decided to maintain Senator Delcídio Amaral under arrest (by the STF order) and the next day he was transferred from the Federal Police lockup in Brasília to the Federal Police lockup in Curitiba. This final vote counted **seven** senators who switched their positions regarding the previous procedural vote.

**NINE PT** senators voted in favor of Delcídio – with the exception of two who are cited as ready to switch parties away from the PT – Paulo Paim (RS) and Walter Pinheiro (BA).

The Executive Branch (Pres. Dilma) was involved because in the plea bargaining by Nestor Ceveró (former Petrobras Director for International Affairs who organized the “transaction” for Petrobras to purchase the rusty, decrepit oil refinery in Pasadena, TX) directly involved Dilma Rousseff in this case that is under investigation by Lava Jato. At that time (2006), Dilma was Lula’s Chief of Staff and acted as the President of the Petrobras Administrative Council. Ceveró affirmed that “Dilma was fully aware and informed regarding this ‘acquisition’ and that she met with him several times in an effort to pressure him to ‘speed up’ the process”. If well documented, this “fact” might become the “smoking gun” that has been lacking to install impeachment proceedings in the Chamber against Dilma for a “crime of responsibility”. When the Pasadena case “exploded” last year, Pres. Dilma affirmed that the Petrobras Administrative Council was “induced by Ceveró to approve the purchase of the Pasadena refinery based on false reports and statements”.

WHY were Sen. Delcidio and banker Esteves so deeply involved in this scheme?? The efforts by the Senator were an attempt to prevent the plea bargaining testimony by Nestor Ceveró (former Petrobras director) who was responsible for the “arrangements” whereby Petrobras purchased the refinery in Pasadena, Texas. The Belgian group had purchased this refinery for about **US$ 70 million** eventually sold it to Petrobras for around **US$ one billion**! The burning question is “who picked up the difference”? Because this “sale” was conducted in the US, the FBI and the US Dept. of Justice are also investigating this case. Apparently, Delcidio had a plan for Ceveró to “escape” Ceveró to receive a **habeas corpus** from the STF and then he would escape to Paraguay from where he would be flown on a private jet to Spain. Delcidio affirmed that he would intercede at the STF to secure the **habeas corpus**. André Esteves was to offer a flat payment of R$ 4 million to Ceveró and
his family and together with Delcídio Ceveró and his family would also receive a “monthly allowance of R$ 50,000,00.

Esteves and Delcídio learned that Ceveró was about to negotiate his plea bargaining testimony in Curitiba, and somehow Esteves gained access to a first draft of Ceveró’s testimony. Esteves is classified as the tenth wealthiest Brazilian by *Forbes* magazine and heads Brazil’s largest and most “active” investment bank (BTG Pactual) – that for continued success in large part depends on its very positive image that has been badly blemished by this episode. With the prison of Esteves and the revelations of his participation in this scheme with Delcídio, BTG’s stocks tumbled on Bovespa on 25th and 26th November and lost some R$ 6.7 billion in market value. Also, BTG is being downgraded by the risk analysis agencies in NY. Gamely, Persio Arida assumed the BTG presidency in an effort to disperse this negative image of BTG (“By The Game”). Now, the “Game” may be over!! Why? Because Esteves and BTG might “suffer” investigations in the US under the FCPA-Foreign Corrupt Practices Act – and under similar legislation in Europe. The FCPA fine might be around US$ 2 million.

On 27th November, the press reported that the Central Bank might prohibit André Esteves to continue his participation in BTG Pactual. Esteves told the Federal Police that he had had some five encounters with Sen. Delcídio. On 26th November, Delcídio was “de briefed” by the Federal Police in Brasília. He admitted that it was his voice that was recorded by Bernardo Ceveró but affirmed that he and his group were organizing a “humanitarian act” in favor of Nestor Ceveró. There is some new evidence that Delcídio might be linked to Alstom that participated in the “cartel” to manipulate the contracts for the SP Metro and the SP urban train system.

**PMDB** – This episode in the Senate was perhaps the first major step by this important erstwhile “ally” of the Dilma government in Congress to demonstrate its independence and possible future break with the Dilma government and leave the alliance. If impeachment is in the offing, definitely the PMDB will abandon the Dilma government in hopes that Vice-President Michel Temer (PMDB-SP) would assume the Presidency. **ONLY one** PMDB senator voted in favor of Delcídio do Amaral  João Alberto de Souza (PMDB-MA) – closely linked to José Sarney. **Detail:** João Alberto de Souza is current president of the Senate Ethics Council. The rest of the PMDB delegation coalesced in favor of maintaining the senator under arrest at the Federal Police – including Sen. Jader Barbalho (PMDB-PA) who himself was arrested by the Federal Police in 2002 after he had resigned his Senate seat. Barbalho was one of the 20 senators who had voted in favor of a “secret vote” but then became one of the seven who “switched sides” and voted in favor of Delcídio.

Although under preventative arrest at the Federal Police, Delcídio do Amaral continues to be a Senator representing Mato Grosso do Sul – with some R$ 34,700,00 monthly salary (leave with pay). His Chief of Staff also continues to receive his Senate salary and all of the senator’s staff continue working in his office. There are several proposals by senators to begin a process at the Senate Ethics Council to expel Delcídio from the Senate (**cassação**) unless he resigns before the process is constituted.

**Who is his suplente** (alternate) who would assume Delcídio’s Senate seat? His name is Pedro Chavez dos Santos Filhos (PSC-MT) – age 74 – a millionaire in the sector of education in Mato Grosso do Sul. **Want more?** Pedro Chavez’s daughter, Neca Chavez Bumlai, is married to the son of José
Carlos Bumlai, currently under arrest by the Federal Police in the *Lava Jato* investigation. *(See Item 1.2)*

**Who will replace Delcídio as government floor leader in the Senate?** Speculations in Brasília point to freshman Senator Wellington Fagundes (PR-MS) – also Mato Grosso do Sul. A six-term federal deputy, Fagundes had “good relations with all parties, including the Opposition”. Obviously, the PT is opposed to this change (losing control of this leadership) but the decision is up to Pres. Dilma.

The “senior” lawyer (whose son was arrested) – Edson Ribeiro – was in the US and so the Federal Police could not carry out his arrest warrant but places his name on the Interpol “red alert” list for immediate arrest. He was “discovered” by police in the US, his visa was revoked and he flew from Miami to Rio arriving the morning of 27th November where he was arrested by the Federal Police.

In addition to the note issued by the PT National President Rui Falcão where he literally “washed his (and the PT’s) hands” regarding Delcídio, apparently the PT National Executive Committee will meet next week to move to expel Delcídio from the party. Also, Lula called him “an imbecile”. These moves probably will enrage Delcídio – because if he loses his Senate mandate he will be judged (and possibly convicted) by a first level federal judge (Sérgio Moro in Curitiba) and not by the STF. Thus, it is possible that Delcídio do Amaral might consider the plea bargaining alternative in an attempt to reduce his sentence.

➔ Stay tuned, this might be VERY explosive!!!!

1.1.1 – “Never before . . . .”

In Brazil’s Republican history (since 1889) the arrest of Senator Delcídio do Amaral was not the “first Senator to be arrested” while serving his mandate. In 1936, **Senator Abel Chermont** (PA) was arrested at his home in Rio de Janeiro and “roughed up” by the Vargas police who arrested him – accused of supporting the 1935 *Intentona* (communist coup attempt). He was imprisoned for over one year before he was absolved by the Judiciary in 1937, before the *Estado Novo* closed Congress.

In November 1823, Imperial government troops closed down Brazil’s first Constituent Assembly and many of the constituents were banished to Africa – including the patriarch of Brazilian independence – José Bonifácio.

During the military regime (1964-1985) – in 1974, Dep. Chico Pinto (MDB-BA) was imprisoned for 6 months by then Pres. Geisel (and lost his mandate) because he criticized the government of Augusto Pinochet in Chile. During the demonstrations in favor of *Diretas Já* in support of the Direct Elections Amendment in 1984 (the twilight of the military regime), the Figueiredo government arrested Deputies Aldo Arantes (PMDB-GO), Jacques D’Ornellas (PDT-RJ).

During the *mensalão* investigations, Deputies João Paulo Cunha (PT-SP), Valdemar Costa Neto (PR-SP) and Pedro Henry (PP-PE) were arrested and then *cassados* (expelled from the Chamber).
1.2 – More Lava Jato

1.2.1 - José Carlos Bumlai arrested

Within the Federal Police *Operation Passe Livre*, the 21st phase of the *Lava Jato* investigation, cattle rancher José Carlos Bumlai was arrested on 24th November (one day before the arrest of Sen. Delcídio do Amaral (PT-MS). Bumlai is cited in the press as a “very close friend and associate of Lula) and the father-in-law of the daughter of Pedro Chavez – the supplente (alternate) of Senator Delcídio do Amaral. *(See Item 1.1)*

An internal audit at Petrobras concluded on 18th May that there was an internal “favoring” of the Grupo Schahin to operate the *Vitória 11,000* drilling platform – in compensation for a R$ 12 million “loan” to the PT in 2004. This “transaction” was intermediated by Bumlai. The *Lava Jato* investigation is also looking at a R$ 64.66 million loan from BNDES to Bumlai’s firm São Francisco Açúcar e Álcool Ltda. in 2005 AND another BNDES loan in 2008 > R$ 388 million – when this firm was already in pre-bankruptcy. *Again* – in 2012, another Bumlai firm São Francisco Energia I received a R$ 100 million loan from BNDES.

Want more? In his *Lava Jato* plea bargaining testimony, Fernando Baiano affirmed that in OSX’s [Read: Eike Batista] attempt to secure a contract to construct drilling platforms with Sete Brasil, Bumlai was called in to lobby Lula in favor of this transaction and was “rewarded” with a R$ 2 million “side payment” that was eventually passed on to one of Lula’s daughter-in-laws to liquidate a housing loan for one of her apartments. The *Lava Jato* investigation is trying to ascertain the role of Lula in “favoring” Bumlai in these transactions. Judge Sérgio Moro has allowed the Federal Police to transport Bumlai from Curitiba to Brasília on 1st December to testify at the BNDES CPI.

1.2.2 – Andrade Gutierrez – Leniency Agreement

On 27th November, Andrade Gutierrez finalized a leniency agreement with federal prosecutors and will pay a R$ 1 billion fine. This large construction firm together with Odebrecht was accused of paying R$ 632 million in bribes to secure contracts with Petrobras. This agreement was pending on the confession by Otávio Azevedo. He was finally convinced that it was better to confess than to be accused by the plea bargaining testimony of his colleagues.

1.3 - Zelotes

On 26th November, the Federal Police indicted 19 persons involved in the *Zelotes* corruption case that involves the “favorable treatment” of tax debt cases by CARF (with large bribe/side payments) and the sale/purchase of *Medidas Provisórias* to favor the auto sector. Those indicted include former Senate staffer Fernando César Mesquita (closely linked with José Sarney, former staffed at the Casa Civil Lytha Battiston Spindola and her son Valdir Spíndola. The Federal Police constituted a separate investigation regarding the participation of LFT Marketing Esportivo – a firm owned by Lula son – Luís Claudio Lula da Silva.
1.4 – Deputies & Senators with TV/radio concessions

Federal prosecutors in 20 states have launched a campaign to cancel 93 radio and TV concessions involving 32 federal deputies and 8 senators. They allege that these concessions violate Art. 54 in the 1988 Constitution that prohibits members of Congress to have any contract (ownership) of a public service concession.

Two have seven concessions – Sen. Fernando Collor (PTB-AL) and Dep. João Henriquees Caldas ((SD-AL). Two have six concessions – Dep. César Halum (PRB-TO) and Dep. Cabuçu Borges (PMDB-AP). Sen. Jader Barbalho (PMDB-PA) and his ex-wife Dep. Elicione Barbalho (PMDB-PA) each have five concessions in their respective names. Several well known “leaders” also have concessions in their names  ➔  Sen. Tasso Jereissati (PMDB-CE) has two concessions, Sen. Edison Lobão (PMDB-MA) has one concession, Dep. Sarney Filho (PV-MA) has three concessions, Sen. Aécio Neves (PSDB-MG) has one concession, Dep. Rubens Bueno (PR) floor leader of the PPS in the Chamber has one concession, and Sen. José Agripino (RN) floor leader of the DEM in the Senate has four concessions.

In São Paulo, three federal deputies have a total of nine concessions and the SP federal prosecutors have already filed petitions to cancel these concessions. It is not clear whether the federal prosecutors will seek to cancel the concessions that are in the name of other politicians ➔  Governors, Mayors, state deputies and city council members. As candidates for office, these politicians have a large competitive advantage against other candidates who do not have these media concessions – especially TV channels. In a recent STF decision, Judges Roberto Barroso and Rosa Weber were very emphatic that these concessions held by politicians constitute abuse of power and could be used in benefit of the politician.


2 – FOREIGN RELATIONS & TRADE

2.1 – Mauricio Macri wins 2nd round in Argentina

On Sunday, 22nd November, Argentina held a second round runoff election for President – the first 2nd round election ever – since direct presidential elections were adopted in the 1994 constitutional reform.

The two candidates who emerged from the first round election on 25th October were Daniel Scioli, Peronista, governor of the province of Buenos Aires and successor candidate to President Cristina Fernandez Kirchner and Mauricio Macri Cambiemos, Mayor of the city of Buenos Aires and the anti-Kirchner candidate. A dissident Peronista, Sérgio Massa placed third.
In a “preview” for the 2nd round, Macri’s ally, Eugenia Vidal, defeated Scioli successor candidate Aníbal Fernández, who had been Kirchner’s Chief of Staff, for Governor of the Province of Buenos Aires (37.8% of Argentina’s population).

<table>
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<tr>
<th>Candidates</th>
<th>1st Round 25th October</th>
<th>2nd Round 22nd November</th>
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<tbody>
<tr>
<td>Macri</td>
<td>34.52%</td>
<td>51.40%</td>
</tr>
<tr>
<td>Scioli</td>
<td>36.66%</td>
<td>48.60%</td>
</tr>
<tr>
<td>Massa</td>
<td>21.09%</td>
<td>- - -</td>
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Apparently, the full support by Sérgio Massa for Macri in the 2nd round campaign helped boost the Opposition candidate in victory. Mauricio Macri will be sworn in as President on 10th December, eleven days before the Mercosur Summit (21st December).

2.1.1 – Foreign Policy challenge for Brazil

On 23rd November, Pres. Dilma called president-elect Mauricio Macri to congratulate him on his victory. Later Macri affirmed that his first foreign visit would be to Brazil – perhaps before the Mercosur summit.

Cristina Kirchner (together with Dilma Rousseff were instrumental in approving Venezuela’s full membership in Mercosur. Kirchner was considered to be a lato sensu partner in bolivarianismo – the anti-American organized and led by then Venezuelan president Hugo Chávez – including Bolivia, Ecuador and Nicaragua.

In his first public policy statement, Macri bashed bolivarianismo and said that as Argentina’s new president, at the Mercosur Summit, he would propose that Venezuela be suspended from Mercosur because it has violated the pro-democracy clause in the organization’s bylaws – as had been
the case of Paraguay – suspended from Mercosur membership in 2012 because of its rapid-fire 24-hour impeachment of Pres. Fernando Lugo. Macri cited the anti-democracy policies of Venezuelan President Maduro – harassment and imprisonment of the Opposition leaders, press censorship and harassment, etc. Whether Paraguay and Uruguay will follow Macri’s lead is not known.

Want more?? On 25th November, during a political rally in Guárico (160 Km southeast of Caracas) the Secretary-General of the opposition party – Acción Democrática (AD) – Luís Manuel Díaz was shot and killed. His blood splattered over the face of Lilian Tintori (wife of imprisoned opposition leader Leopoldo Lópes) declared – “They tried to kill me too”. This now becomes another page in the request by Pres. Mauricio Macri that Mercosur exclude Venezuela.


⇒ Stay tuned!!

Macri also stated that he would seek better (especially trade) relations with Brazil – an end to trade tariff barriers to Brazilian exports and removing the high export tariffs on Argentine agricultural exports – soy, corn and meat. Argentina’s agro-export sector had been in very strong opposition to Kirchner and was “punished” by the imposition of these high export tariffs.

This sector has stocked up huge amounts of soybeans ready for export and when these tariffs are removed (by Macri) there is concern that if world markets are “flooded” by Argentine soy, the international price of this commodity might fall considerably from the already low price level. Detail: Most of Brazil’s 2014-2015 soy harvest is now over and most of this crop has already been exported.

Macri also vowed that he would let the currency float freely to remove the current large difference between the official and the “black market” rates. It is possible that he would order the judiciary and prosecutors to re-open the investigation regarding the death/murder of federal prosecutor Alberto Nisman in early 2014 and the bombing of the Israeli centers in Buenos Aires in 1994.

Photo: Juan Mabromata/AFP

Pres. Cristina Kirchner & Alberto Nisman

The president-elect indicated that his new Foreign Minister would be Susana Malcorra who is currently the Chief of Staff to Ban Ki Moon, the UN Secretary General. Born in 1954, she joined the UN in 2004, after 25 years in the private sector – 14 years with IBM. She holds a degree in Electrical Engineering from the University of Rosario.
2.2 – OECD Education rankings

On 23rd November, the OECD published its *Education as a Glance 2014: OECD Indicators* that lists education investments for 34 nations based on 2012 data.

Although Brazil was ranked third in terms of % of the national budget (17%) invested in education (surpassed by New Zealand and Mexico), it was ranked 30th in terms of investment per student – US$ 3,441.00. The average for the 34 nations ranked was US$ 9,517.00. The top five per student were Luxemburg, Switzerland, Norway, Austria and Belgium. The bottom (worst) five were Brazil, Mexico, Turkey, Colombia and Indonesia.

Other points raised regarding Brazil: 1) only 9% of youth age 15-19 are enrolled in professional training programs; 2) In the 15-29 age bracket, 27.9% of women and 12.7% of men neither work or study (NEET); and 3) The average class size in public primary schools in Brazil is 21 students per teacher vs. the OECD average of 15 students per teacher.

In 2012, the enrolment of 4-year-olds increased from 37% to 61% between 2005 and 2012, and from 63% to 83% for 5-year-olds. The average OECD enrolments in 2012 were respectively 84% and 94%.


2.3 – French Foreign Minister visited Brasilia

On 22nd November, the French Minister of Foreign Affairs and International Development, Laurent Fabius, visited Brasilia. During their encounter, Pres. Dilma Rousseff confirmed her (and the Brazilian delegation’s) presence and participation in the COP-21 in Paris (30th November—11th December). Minister Fabius visited India and South Africa en route to Brazil. They also discussed the 2016 Olympic Games in Rio regarding possible French assistance in foreign intelligence regarding security during these games.


2.4 – Pres. Dilma canceled visit to Vietnam and Japan

After participating in the open ceremonies of COP-21 in Paris on 30th November, Pres. Dilma had planned to travel to Asia and will visit Vietnam (1-2 December) and Japan (3-4 November).

However – given the bombastic political turmoil this week in Brasília, on Friday afternoon she decided to shorten her travel venue and canceled her trip to Asia. Thus, she embarked to Paris on Friday, 27th November and will attend the opening COP-21 ceremony in Paris and then return straight away to Brasília that same evening, arriving on Tuesday morning, 1st December.

Want more? Pres. Dilma signed a decree blocking R$ 10 billion in expenditures in what is left of 2015 in an attempt to avoid “questioning” by the TCU. But the government admits that the 2015 fiscal deficit should be on the order of R$ 119.9 billion. R$ 10 billion is just a “drop in a “deep bucket” – too little, too late.

3 - REFORMS

Nothing this week.

4 – PRIVATIZATION & REGULATION

4.1 – Electric generation concessions

With a little help from the Chinese. On 25th November, after several delays, Aneel held a concession renewal auction for 29 hydro-electric installations that yielded R$ 17 billion. CTG [China Three Gorges] won the bids for the two largest installations – Jupiá and Ilha Solteria (4,995 Mw) – and paid R$13.804 billion (80% of the proceeds of this auction). Celg, Copel, Enel, Celesc and Cemig won the other concessions.

5 - ECONOMICS

5.1 – Caged employment data

On Friday afternoon, 20th November, the Ministry of Labor released the Caged employment data for October ➔ 169,131 jobs lost versus 30,283 jobs lost in October 2014. This was the worst monthly result since this series began in 1992. The 12-month accumulation is now 1,381,992 jobs lost and in the first 10 months in 2015, 818,918 jobs lost. When November and December are included the total jobs lost should surpass 1,100,000.
5.2 – October Fiscal Deficit

On 26th November, the STN announced that the fiscal deficit for the Central Government in October was -R$ 12.279 billion – the largest October deficit since 1997. The government is hoping that a large part of the R$ 17 billion proceeds from the concession auction for electric power generation dams will enter into the 2015 accounting. (See Item 4.1)

5.3 - Copom

On 25th November, Copom decided to maintain the basic Selic rate at 14.25% but with two dissident votes in favor of a 50 bps increase to 14.75% due to “inflation pressures”. This indicates that at its first meeting in 2016, Copom might indeed increase the Selic rate.

5.4 – A new Downgrade by Fitch??

On 26th November, Fitch Ratings affirmed that because of further deterioration of Brazil fiscal situation in 2015, that in 2016 this risk agency might downgrade Brazil into “speculative grade”.

5.5 – Income inequality increased

Using data from IBGE’s PNAD, President of IPEA economist Sergei Soares compiled an analysis of Brazil’s income inequality that showed and increase (worse inequality) in 3rd Q/2015. In 2nd Q/2015, the Gini index was 0.5060 and in 3rd Q/2015 was 0.5178. Brazil’s rate of unemployment increased from 8.3% to 8.9% between these same quarters. Sergei is spending a research period at CDG-Center for Global Development in Washington, DC

See ➜ [http://oglobo.globo.com/economia/desigualdade-de-renda-aumenta-este-ano-18156027](http://oglobo.globo.com/economia/desigualdade-de-renda-aumenta-este-ano-18156027)